

**THE NON-FLOOD PROTECTION ASSET MANAGEMENT AUTHORITY
MINUTES OF THE SPEICAL BOARD MEETING
MONDAY, DECEMBER 16, 2013 – 5:00 P.M.**

A special Board meeting of the Non-Flood Protection Asset Management Authority of the Orleans Levee District was held on Monday December 16, 2013 at 5:00 p.m., in the Lake Vista Community Center, 2nd Floor, 6500 Spanish Fort Blvd., New Orleans, Louisiana after due legal notice of the meeting was sent to each Board member, the news media, and a copy of the call was posted.

Chairman Scott called the meeting to order at 5:08 p.m. and led in the Pledge of Allegiance. The roll was called which constituted a quorum.

PRESENT:

Chairman Nyka Scott
Vice Chairman Ernst
Secretary Romona Baudy
Commissioner Robert E. Smith Lupo
Commissioner Wilma Heaton
Commissioner Carlton Dufrechou
Commissioner Patrick DeRouen
Commissioner Pearl Cantrelle
Commissioner Michael Stack
Commissioner Stan Brien
Commissioner Darrel Saizan
Commissioner Rodger Wheaton

ABSENT:

Commissioner John Trask
Commissioner William Hoffman
Commissioner Eugene Green

STAFF:

Louis Capo - Executive Director
Sharon Martiny – Non-Flood
Dave Smith – Airport

ALSO PRESENT:

Al Pappalardo - Real Estate Consultant
Gerard Metzger - Legal Counsel
Alton Davis – Richard C. Lambert Consulting
Brayton Matthews – Flightline First
Bonny Schumaker – Flightline First
Jonathan Buff – Hawthorne
Chad Farishon – Landmark
Addie Fanguy - Landmark
Walter Baudier – Design Engineering, Inc.
Beau Baudier – Design Engineering, Inc.
Bill Koch – Hawthorne
Peter Butler – Attorney
Court Reporter for Peter Butler
Ray Landeche – Lakeshore Subdivision

ADOPT AGENDA

Commissioner Cantrelle offered a motion to adopt the Agenda, seconded by Commissioner Ernst and unanimously adopted.

APPROVE MINUTES

Commissioner Stack offered a motion to approve the minutes of the November 21, 2013 Board Meeting, seconded by Commissioner Ernst and unanimously adopted.

REPORT BY EXECUTIVE DIRECTOR

Chairman Scott thanked the Board members, audience and staff for attending the Special Board meeting to address this very important issue. I also want to thank the bidders for being patient with the Board and going through this process.

PRESENTATION

Beau Baudier – Design Engineering, Inc.

Commissioner Heaton noted for the record that the methodologies of the analysis would be bypassed as those were reviewed in the previous Airport Committee and Board meetings.

Mr. Baudier informed that preliminary findings were discussed at the Airport Committee meeting and Board meetings held on December 5, 2013. DEI requested final proposals from Hawthorne and Landmark and prepared an analysis and recommendation for the Board. This is an additional report prepared by DEI and the Negotiating Team which consists of DEI (Beau Baudier), Commissioner Heaton, Mr. Capo, Mr. Metzger and Mr. Pappalardo. DEI has prepared financial analyses for the Levee Board for over 30 years.

The Bastian-Mitchell Hanger is 117,000 s.f. and contains 43,000 s.f. of building space, 28,000 s.f. of hangar space and approximately 14,000 s.f. of office space on the first and second floors. Base rent indicates Hawthorne and Landmark proposed equally. Hawthorne proposed to escalate the annual base rent by the CPI change each year, not every five years. Landmark increased the annual base rent to \$100,000 and kept the escalation the same. Hawthorne's insurance payments remained \$163,369 or the actual insurance cost. Landmark will pay the actual insurance cost or the escalated cost based on the CPI; whichever is greater.

Hawthorne's fuel flowage projections remained the same. Landmark voiced reduced confidence in the Fortune 500 client and lowered the 300,000 gallon fuel projection to 225,000 gallons. Hawthorne committed to 20 parking spaces and Landmark committed to 40 parking spaces. Hawthorne proposed up to a 50 year lease, including options. Landmark proposed up to a 16 year lease including options, but voiced interest in the potential for a 26 year lease including options. Lease obligors are Hawthorne New Orleans, LLC (a special purpose entity) and Landmark's obligor is Encore, FBO LLC, an entity that holds a number of assets at other FBOs. Neither party proposed a guarantor, but both parties voiced interest in potentially adding a guarantor.

The first six steps of the process and methodology were completed at the December 5, 2013 Airport Committee and Board meetings. The Negotiating Team requested final proposals which were received December 11, 2013. A final report was sent to the Board on December 12, 2013. Questions of clarification were asked in Appendix B. The same MPV calculation was used with four components comprising the financial analysis: base rent, insurance payments, fuel flowage payments and parking space rental. An assumed CPI of 2.39% was used with a 26 year lease term (lowest common denominator of terms for both parties). A sensitivity analyses was conducted to insure assumptions were not unduly biased.

The proposals are exactly the same for the base rent. Landmark has a slight edge on the insurance proposal, in the event the CPI increases more than the insurance there is additional revenue for the Authority which leads to an average benefit of .26% yearly. As a result of the reduced confidence in Landmark's Fortune 500 client, fuel was reduced from 300,000 to 225,000. Landmark feels confident that their global network can fill the hangar expediently. Assumptions

of growth and the 25% gallon payment to the Airport resulted in a close MPV number with Landmark having a \$15,000 advantage. The parking analysis is exactly the same (Hawthorne – 20, Landmark - 40 at \$200 per year) with a difference of \$108,561.

The Negotiating Team looked more at qualitative factors such as the strength of the financial sponsor and corporate entity. Both parties have strong financial backers. Assets under management favors Landmark as does grant income as Landmark still has potential, although reduced, for a Fortune 500 client which would bring additional flights, additional usage and assist the Airport achieve greater grant income in the future.

Hawthorne's ability to seamlessly integrate with their current facility is an advantage in terms of location synergies. Landmark would use the hangar as a stand-alone entity and would not tug aircraft to and from the facility. Terminal Building usage favors Landmark due to the potential for a Fortune 500 company. Two qualitative factors used were past performance and the lease term. The RFP states selection criteria is limited to, but does not include, different factors such as the overall benefit to the Airport. The Negotiation Team can use any factor relevant to the analysis. In terms of capacity, Hawthorne is capacity-constrained and can accept only certain sized aircraft and may turn away other larger aircraft. Landmark has been at full capacity and is turning away potential clients. Fuel sales also favor Landmark based on the October trail and 12 month numbers. The second qualitative factor is lease term. Selection criterion refers to "length of lease proposed" and does not state a longer lease is better. A medium term lease is more favorable as the Airport is not negotiating from a strong position due to its recovery. In 10-15 years the Airport could be in a stronger position to negotiate a more favorable lease. This is the demand side.

There will be additional hangar space when the James Wedell Hangar comes on line. There is good supply and low demand which results in a lower lease price for the Hangar. Hawthorne proposed a lease term of up to 50 years. Landmark proposed a lease term up to 26 years. Using a 26 year lease term in the financial analysis is fair. The Authority may even consider a shorter lease term. Combining all numbers, Landmark's incremental revenues on an MPV basis are \$261,625 higher than the revenues due to Hawthorne's lease proposal.

The sensitivity analysis shows several different variables were changed for different situations and each situation shows that Landmark's proposal is financially superior to Hawthorne's proposal. A 10-year lease basis was used and Landmark provides \$73,941 incremental revenue on an MPV basis. The 10-year sensitivity analysis shows that in each case Landmark's incremental MPV was higher.

The Negotiating Team concluded that both proposers displayed strong backgrounds and sound plans for the Bastian-Mitchell Hangar and annual base rent for both proposals were the same. Factors such as insurance premium payments, flowage fees and parking favored Landmark. Landmark's proposal resulted in \$261,000 more net present value to the Authority. Most qualitative factors favored Landmark. One qualitative factor that favored Hawthorne was location. The financial sponsor, grant income, Terminal Building usage, past performance and lease term favored Landmark's proposal. The recommendation of the Negotiating Team is that the Authority lease the premises to Landmark.

Mr. Capo advised that Public Comments would be limited to two minutes for each speaker.

PUBLIC COMMENTS

Chad Farishon – Landmark Aviation

Mr. Farishon stated that if the Authority finalized a vote for Landmark, Landmark would move forward and continue to benefit the Airport by filling the Bastian-Mitchell Hangar. Commissioner Heaton noted that the answers on diversity were received within 24 hours of each other. Both Hawthorne and Landmark provided suitable responses.

Bill Koch – Hawthorne

Mr. Koch noted concerns regarding several areas. If a Fortune 500 Company was committed, the Board would be encouraged to make a decision in the best interest of the Airport, but that is not the case. There is an equal set of bids. Hawthorne has a sincere interest in expanding operations, but more space is needed to bring additional customers to the Airport. The 400,000-600,000 gallons of fuel that come with the hangar will bring new business to this Airport. Overall distribution of business would put Landmark at 74% as Landmark would control the real estate. The remaining two FBOs will share the remaining 26% market availability. Hawthorne is a company committed to growth and the Board is encouraged to keep those items in mind as the scales may tip in favor of Hawthorne.

Bonny Schumaker – Flightline First

Ms. Schumaker advised that Flightline pays revenue of \$266,000 per year: \$188,000 in rent, \$78,000 for insurance and \$40,000 for hanger keepers and business liability insurance through Flightline's agent. The Williams Hangar is an eighty year old, 30,000 s.f. hangar; not 43,000 s.f. as the Bastian-Mitchell Hangar. There is no built-in fireproofing or flood-proofing like the Bastian-Mitchell Hangar.

The RFP contained no guidelines for rental rates and stated insurance would be approximately \$164,000 per year. Flightline did a calculation based on survey data and Flightline's present rental rates. The estimated fair market rent included \$4.02 per s.f. (office space), \$3.76 (hangar deck), .64 (vehicle parking) and .41. (grass). Based on Flightline's present rates, Bastian-Mitchell Hangar rent would be \$208,000 per year plus \$164,000 for insurance. A rental rate of \$372,000 is too expensive so Flightline did not submit a proposal.

Lakefront Airport has risks that include the PAPIs and REILs which are currently out of service and the fact that the Authority will be unable to sustain with low rental rates. If other FBO rents are kept high and the Bastian-Mitchell is kept low the Authority violates FAA Grant Assurances (22, 24 and 25) which require a level playing field be provided for FBOs and to make the Airport sustainable. The Authority will incur legal expenses from FBOs currently paying higher rental rates and Flightline will most likely bankrupt due to a competitor being placed next door with four economic advantages that sell identical goods and services.

NEW BUSINESS

Motion 01-121613 – Motion to approve a lease for the Bastian-Mitchell Hangar at the New Orleans Lakefront Airport

Commissioner Lupo noted for the record that bringing in an outside financial consultant helped everyone on the Board as few members have the background to perform such an analysis. Being able to read and assimilate this information was a great help. I want to thank DEI and the Negotiating Team (Commissioner Heaton, Mr. Pappalardo, Mr. Capo and Mr. Metzger) for their help in this matter.

Commissioner Heaton noted for the record that the public bid process was chosen by the Board. In an abundance of caution, the RFP was advertised for

90 days as suggested by the FAA, which is longer than usual for an RFP. The Board performed its due diligence and studied activity in the current market. Lakefront Airport does not have appropriate flood protection. Those living away from this area do not understand all of this post-Katrina and will not take a risk with their business model. Market rate is a reality post-Katrina that presently exists. The rent number is disappointing because the Bastian-Mitchell Hangar is superior and worth more. Ms. Schumacker stated that the Authority cares about the Airport not the FBOs; but this Authority does care deeply about the FBOs as the FBOs are an important part of the Airport. The Airport Committee has had one round table with the FBOs and that is a start. This Board does not want to put anyone out of business. In researching grant assurances it was noted that the grant assurances seem to be applicable to development planning and noise abatement and may not apply to the Bastian-Mitchell Hangar. The Bastian-Mitchell Hangar was destroyed as a result of Hurricane Katrina and is a rebuild of a FEMA project through the FAA. To address a level playing field, a space leased tomorrow in this market will not get a better deal than a space leased 10 years ago when the market was sky high. That is reality in the marketplace, however, Lakefront Airport is a closed Airport community and what we do for one FBO directly affects the bottom line and there is no known solution for that. There had to be a real reality check because payroll checks will start bouncing in July if the Board does not make a decision.

Commissioner Heaton noted for the record that nobody requested seeking the additional analysis. The analysis did not come from this area, but from the financial market to keep costs minimal. Mr. Baudier's name came from the financial market so an additional analysis was requested, but the numbers are subjective. The analysis was provided to the Board as a base to understand where the numbers were coming from. This Board has to take action as there is an open hangar at the Airport. For the record, I am not looking at the Fortune 500 Company. I looked at the FBOs and determined which one may have the larger global behind it to market the Airport. The numbers are important but either FBO will be fine. My bottom line was which company would have more opportunity and that is the reason I selected Landmark although both companies are high caliber.

Commissioner Heaton advised Flightline that the Authority is behind an eight ball on this matter. The Board will address all issues and determine ways in which to make all FBOs competitive. If the FBO does not succeed, the Airport does not succeed. For the record I will not support deferral of this matter. Each Board member has a right to vote, but hard decisions have to be made.

Commissioner DeRouen addressed the consolidation of 75% of the income with one FBO compared to the other two. Commissioner Heaton noted that the Authority had no choice. It is a brilliant question. Hawthorne has a rent abatement and 18% of Airport business; without the rent abatement would Hawthorne have more Airport business or less labor? There are many variables besides who controls space. Commissioner Ernst added that the percentage is overwhelmingly shared by one party; 75% seems very high. Mr. Fanguy noted that the market share is driven by the market. Hawthorne has the same hangar square footage as Landmark. Over the past 20 years Landmark had more than its share of competitors, but always had the market share on this field. It is the market, not the facility. Landmark's fuel prices are higher than the competitors and Landmark is still at 58% of the business on the field. Mr. Farishon added that more than half of the 58% is transient; the customers have a commercial choice and they chose to come to Landmark.

Mr. Koch noted if everything remains as it is today the market share for transient business at Advantage Landmark and add the 400,000 promised new gallons, that brings the gallon total to 1.637, which is a 74% market share. There is a direct correlation between who takes control of this property and the 400,000 gallons associated with the transaction. The 400,000 gallons takes Landmark's position to a 74% market share. If Hawthorne got the Hangar there would be a remaining 26% to be shared among the competitors.

Commissioner Heaton noted that because an FBO has a hangar does not mean that FBO will receive the maximum fuel flowage. The FBO has to market and attract customers so that number is disingenuous with square footage. It lies on what FBO the Board has the most confidence to have that flowage. Commissioner DeRouen added that after reading all proposals and listening to the presentations, Landmark is the better proposer.

Commissioner DeRouen moved that the Authority enter into a contract with Landmark, seconded by Commissioner Saizan and unanimously adopted to wit:

MOTION: 01-121613
RESOLUTION: 01-121613
BY: COMMISSIONER HEATON
SECONDED: COMMISSIONER DeROUEN

December 16, 2013

RESOLUTION

WHEREAS, the Non-Flood Protection Asset Management Authority ("Management Authority") is a political subdivision of the State of Louisiana and the governing authority of the non-flood protection assets of the Orleans Levee District ("District");

WHEREAS, the New Orleans Lakefront Airport is one of the non-flood protection assets of the District under the management and control of the Management Authority (the "Airport");

WHEREAS, the buildings and other facilities at the Airport, including the Bastian-Mitchell Hangar, were severely damaged by Hurricane Katrina which struck southeast Louisiana in August of 2005 (the "Hangar");

WHEREAS, the Management Authority rebuilt the Bastian-Mitchell Hangar and the project was finished in the summer of 2013;

WHEREAS, the Management Authority at its monthly meeting held on June 13, 2013 adopted a resolution approving a Request for Qualifications and Proposals to lease the Hangar and authorized the Executive Director to issue the Request for Qualifications and Proposals with responses due by November 1, 2013;

WHEREAS, responses were received to the Request for Qualifications and Proposals from Encore FBO, LLC d/b/a Landmark Aviation ("Landmark") and Hawthorne New Orleans, LLC ("Hawthorne");

WHEREAS, in accordance with the terms and conditions of the Request for Qualifications and Proposals, the responses received were to be reviewed by the Airport Committee of the Management Authority at a special meeting held on November 18, 2013;

WHEREAS, there was no quorum present at the special meeting of the Airport Committee held on November 18, 2013 and the Committee could not vote on a recommendation for a lease of the Hangar;

WHEREAS, a motion to authorize negotiations with the bidders for the lease of the Bastian-Mitchell Hangar was on the agenda for the December 5, 2013 Airport Committee Meeting, however, no action could be taken because there was no quorum at the December 5, 2013 Airport Committee Meeting;

WHEREAS, the motion to authorize negotiations with the bidders for the lease of the Bastian-Mitchell Hangar was also on the agenda for the December 5, 2013 Management Authority Meeting, and the Management Authority adopted a resolution to authorize a negotiating team consisting of the Management Authority's Executive Director, Real Estate Consultant, Legal Counsel, representatives of Design Engineering, Inc. and Chairperson of the Airport Committee to enter into dual negotiations with Landmark and Hawthorne and provide a recommendation to the members of the Management Authority on the selection of a lessee and lease for the Hangar by no later than 5:00 p.m. on December 12, 2013;

WHEREAS, on December 6, 2013 the negotiating team sent a letter to Hawthorne and Landmark requiring them to provide a final offer for the lease of the Hangar and requiring the parties to submit the terms and conditions for the lease of the Hangar on the Management Authority's standard FBO lease form by noon Central Standard Time on December 11, 2013;

WHEREAS, Landmark and Hawthorne timely submitted their final offers, and after reviewing the two offers,

the negotiating team prepared a report recommending the selection of Landmark for a lease of the Bastian-Mitchell Hangar in accordance with the terms and conditions submitted in Landmark's final offer and completed FBO lease form; and,

WHEREAS, the Management Authority after considering the final offers of Landmark and Hawthorne and the recommendation of the negotiating team, as set forth in its report of December 12, 2013, resolved that it is in the best interest of the Orleans Levee District and New Orleans Lakefront Airport to approve a lease with Landmark for the Bastian-Mitchell Hangar, under the terms and conditions submitted in Landmark's final offer and completed FBO lease form.

THEREFORE, BE IT HEREBY RESOLVED, that the Management Authority approves a lease of the Bastian-Mitchell Hangar at the New Orleans Lakefront Airport with Landmark Aviation, effective January 1, 2014, under the terms and conditions submitted in Landmark's final offer and completed FBO lease form.

BE IT HEREBY FURTHER RESOLVED, that the Management Authority Chairman or Executive Director be and is hereby authorized to sign a written lease with Landmark Aviation for the Bastian-Mitchell Hangar at the New Orleans Lakefront Airport, which said lease shall include the terms and conditions set forth above, and any and all documents necessary to accomplish the foregoing.

YEAS: SCOTT, ERNST, BAUDY, LUPO, HEATON, DUFRECHOU, DEROUEN, CANTRELLE, STACK, BRIEN, SAIZAN, WHEATON

NAYS:

ABSTAIN:

ABSENT: TRASK, HOFFMAN, GREEN

RESOLUTION ADOPTED: YES

Mr. Matthews stated that one way to value a piece of property is the amount of money an FBO brings in per square foot. No FBO at Lakefront Airport brings in more money per square foot than Flightline because of the hangar size. Flightline is a very productive FBO that is the oldest and only locally owned FBO at Lakefront Airport but based on the prices it was not feasible for Flightline to submit a proposal.

NEXT BOARD MEETING

The next full Board meeting of the Non-Flood Protection Asset Management Authority is scheduled for Thursday, January 23, 2014 at 5:30 p.m.

ADJOURNMENT

Commissioner Heaton offered a motion to adjourn, seconded by Commissioner Ernst and unanimously adopted.

The meeting adjourned at 5:57 p.m.